Energy

BUSINESS PLAN 2011-14

ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of February 2, 2011.

original signed by

Ron Liepert, Minister
February 4, 2011

THE MINISTRY

The ministry consists of the Department of Energy and the Alberta Petroleum Marketing Commission. It also includes the Energy Resources Conservation Board (ERCB) and Alberta Utilities Commission (AUC), which are provincial agencies exercising independent adjudicative functions for which the minister is responsible. The ERCB regulates the safe, responsible, and efficient development of Alberta's energy resources: oil, natural gas, oil sands, coal, and pipelines. The AUC regulates the utilities sector, natural gas and electricity markets, and is responsible for regulating the distribution and sale of electricity and natural gas to Alberta consumers.

Energy's mission is to assure sustained prosperity in the interests of Albertans through the stewardship of energy and mineral resource systems, responsible development and wise use of energy. Core businesses include managing the development of non-renewable resources; granting industry the right to explore for and develop energy and mineral resources; establishing, administering and monitoring the effectiveness of fiscal and royalty systems; promoting energy efficiency and conservation by Albertans and industry; and encouraging additional investment which creates jobs and economic prosperity.

This business plan is aligned with the government's five goals and supports the government's core businesses as set out in the *Government of Alberta Strategic Plan*.

GOALS, PRIORITY INITIATIVES AND PERFORMANCE MEASURES

As a result of the ministry's review of its goals, environment, opportunities and challenges, a number of priority initiatives have been identified.

Goal One: Assure energy supply and benefits from energy and mineral resource development for Albertans

Priority Initiatives:

1.1 Alberta has a competitive and effective royalty system, incenting development and maximizing benefits to Albertans.
1.2 Energy and mineral resource revenues are accurately calculated, collected and reported.
1.3 Energy and mineral resource development occurs in a responsible, environmentally sustainable manner and supports Government of Alberta outcomes.
1.4 The ministry and its partners have the required policies and programs to encourage value-added development in Alberta.

1.5 Develop and implement recommendations to improve Alberta's investment competitiveness within the natural gas and conventional oil sectors.

1.6 Continue to implement strategies to increase upgrading and refining capacity in Alberta, including the implementation of Bitumen Royalty In-kind.

Performance Measures	Last Actual 2009	Target 2011-12	Target 2012-13	Target 2013-14
1.a Combined tax and royalty rates for Alberta natural gas and conventional oil production, compared to similar jurisdictions[1]	Alberta within first quartile 39.73% (natural gas) 43.02% (conventional oil)	Alberta will have a combined royalty and tax rate that is in the top quartile of investment opportunities compared to similar jurisdictions		
1.b Revenues from oil, oil sands, gas and land sale bonuses are fully collected: Percentage of amounts collected compared to amounts owed	100%	100%	100%	100%

Note:

1 First quartile threshold: natural gas, up to 49.05 per cent; conventional oil, up to 49.10 per cent.

Goal Two: Lead and engage citizens, communities, industry and governments to achieve effective stewardship of Alberta's energy resources

Priority Initiatives:

2.1 Albertans are aware of and understand existing and emerging trends and opportunities relating to energy development and use in Alberta.

2.2 Industry, citizens, and communities conserve and use energy wisely.

2.3 Support the implementation of large scale demonstration projects through the Carbon Capture and Storage initiative and develop policy to ensure carbon capture and storage is deployed and commercialized in a safe and effective manner.

2.4 Lead the long-term streamlining and rationalization of the natural resource regulatory system and identify improvements that promote environmentally responsible clean energy development.

Performance Measures	Last Actual 2009	Target 2011-12	Target 2012-13	Target 2013-14
2.a Albertans' assessment of their energy knowledge[1]	70%	71%	n/a	72%
2.b Increased fuel gas efficiency reporting: Percentage of total fuel gas used by industry participants who voluntarily reported fuel gas efficiency information[1]	68%	72%	n/a	72%

Note:

1 Surveys are conducted every second year.

Goal Three: Lead and support the development of energy related infrastructure, innovation, markets and regulatory systems

Priority Initiatives:

3.1 Energy related infrastructure is built and sustained to support government objectives.

3.2 Promote effective innovation policies and programs to achieve technology and processing improvements in the development of energy and mineral resources.

3.3 Alberta has a competitive and efficient energy system ensuring Albertans' electricity and natural gas needs are met.

3.4 Regulation of energy and utility development in Alberta is fair, responsible and in the public interest.

3.5 Build an organizational environment for success.

Performance Measures	Last Actual 2009	Target 2011-12	Target 2012-13	Target 2013-14
3.a Transmission losses (%)	3.6%	3.6%	3.6%	3.5%
3.b Power generation: Margin (MW) between Firm Generating Capacity and peak demand	18%	Maintain a minimum 7% margin over peak load	Maintain a minimum 7% margin over peak load	Maintain a minimum 7% margin over peak load
3.c Regulatory noncompliance (ERCB): Percentage of field inspections finding High Risk regulatory noncompliance	1.7%	Less than or equal to 3.0%	Less than or equal to 3.0%	Less than or equal to 3.0%
3.d Timeliness of the needs and facility applications (AUC): Percentage of needs and facility applications determined within 180 days of the application being deemed complete	97.8%	100%	100%	100%

STATEMENT OF OPERATIONS
Consolidated on a Fiscal Plan Basis

(thousands of dollars)	Comparable					
	2009-10 Actual	2010-11 Budget	2010-11 Forecast	**2011-12 Estimate**	2012-13 Target	2013-14 Target
REVENUE						
Freehold Mineral Rights Tax	124,466	167,000	133,000	**142,000**	143,000	151,000
Non-Renewable Resource Revenue						
Natural Gas and By-Products Royalty	1,525,397	1,861,000	1,654,000	**1,022,000**	1,198,000	1,466,000
Crude Oil Royalty	1,848,269	2,137,000	1,912,000	**1,925,000**	2,022,000	1,886,000
Bitumen Royalty	3,160,349	3,249,000	3,567,000	**4,123,000**	5,644,000	7,141,000
Coal Royalty	30,866	35,000	35,000	**42,000**	39,000	36,000
Bonuses and Sales of Crown Leases	1,164,407	630,000	2,333,000	**1,068,000**	1,195,000	1,205,000
Rentals and Fees	157,707	135,000	161,000	**141,000**	136,000	130,000
Energy Industry Drilling Stimulus Program	(1,119,054)	(732,000)	(1,660,000)	-	-	-
Investment Income	759	2,800	2,800	**2,900**	2,900	2,900
Industry Levies and Licences	142,226	150,233	150,233	**162,419**	162,419	152,419
Other Revenue	45,049	9,859	9,859	**9,859**	9,859	9,859
Consolidation Adjustments	(293)	-	-	-	-	-
Total Revenue	7,080,148	7,644,892	8,297,892	**8,638,178**	10,552,178	12,180,178
EXPENSE						
Program						
Ministry Support Services	2,010	2,195	2,195	**2,195**	2,195	2,195
Resource Development and Management	126,044	100,147	100,147	**98,311**	98,411	94,922
Biofuel Initiatives	49,572	43,000	43,000	**58,000**	108,000	170,000
Energy Regulation	166,037	161,957	161,207	**161,957**	161,957	161,957
Utilities Regulation	30,675	36,228	36,228	**38,514**	38,514	38,514
Carbon Capture and Storage	538	100,000	2,000	**73,000**	150,000	300,000
Orphan Well Abandonment	13,000	13,000	13,000	**13,000**	13,000	13,000
Consolidation Adjustments	(293)	-	-	-	-	-
Total Expense	387,583	456,527	357,777	**444,977**	572,077	780,588
Net Operating Result	6,692,565	7,188,365	7,940,115	**8,193,201**	9,980,101	11,399,590

CAPITAL INVESTMENT BY PROGRAM

Resource Development and Management	9,521	2,315	2,315	**6,315**	6,315	1,315
Energy Regulation	15,674	24,200	24,200	**23,200**	9,000	9,000
Utilities Regulation	1,258	1,500	1,500	**1,500**	1,500	1,500
Total	26,453	28,015	28,015	**31,015**	16,815	11,815